



News release

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TREASURER ANNOUNCES MID-YEAR SPENDING ADJUSTMENT PLAN

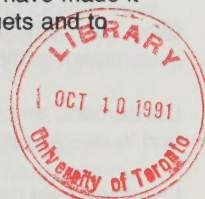
Toronto -- Ontario Treasurer Floyd Laughren today announced a series of mid-year adjustments to the government's spending plans. The move was designed to keep the province's expenditures at \$52.8 billion and the deficit at \$9.7 billion, as targeted in the 1991 Ontario Budget.

"Mid-way through the year, urgent pressures and increased statutory obligations have made it necessary to review and adjust our spending in order to meet our budgetary targets and to foster economic recovery," Laughren said. The pressures this year include:

- \$240 million in additional costs for social assistance;
- \$53 million in extra costs for fire fighting in Northern Ontario;
- \$215 million to cover the increased costs of Ontario teacher pensions;
- \$35 million in new initiatives for a farm assistance program; and
- \$57 million in new funding to support a variety of other pressures including dealing with the Human Rights Commission backlog and the government's Older Worker Adjustment Program.

To manage these costs, Laughren announced that the government is redirecting \$600 million or about one per cent of its 1991-92 budget. Emphasizing that mid-year adjustments are a common practice of business and governments, Laughren identified the following areas from which money was being re-directed:

- \$100 million will be saved immediately by trimming an average of 5 per cent from ministry operating budgets. Spending will be reduced on items such as supplies and equipment, consulting services, travel, advertising and communications. For 1992-93 ministry operating budgets will be reduced by 10 per cent in total. The spending reduction will amount to an estimated \$300 million within the next 18 months.
- \$40 million will be saved by individual ministries as they absorb about 1 per cent of the cost of current year wage settlements. Laughren noted that the average salary settlement for 1991-92 was 5.8 per cent. He indicated that ministries have been given a 5 per cent increase for salary budgets with the understanding that the remaining 0.8 per cent will be managed internally.
- \$460 million in redirected spending including savings from programs which have not proceeded as quickly as anticipated due to such things as delays in legislation.



Laughren said that the adjustments should be enough to allow the government to stick to its budget plan, maintain anti-recession measures, meet spending targets and encourage economic renewal while freeing up funds to manage pressures. "These latest measures are intended to meet the financial pressures for this fiscal year," Laughren said. "However, I can assure you, we will take further action if it is needed to meet our fiscal objectives."

The Treasurer announced that, in addition to these immediate changes, the government would conduct a rigorous review of all spending in 1992-93.

"We want to ensure that spending is consistent with our priorities of rebuilding the economy while maintaining programs which promote social justice", Laughren said.

Specific reviews will include the Ontario Drug Benefit Program, government funding for hospitals, commercial health labs and other insured health benefit programs.

"We firmly believe that if we are going to save Medicare, we must begin by controlling its cost," noted Laughren.

Other expenditure reviews will cover the use of consulting and professional services and government communications and advertising.

Consumers, employees and transfer payment partners will be consulted in the review process and in overall efforts to achieve greater productivity in the public sector.

Laughren said that all of the measures announced today encourage better management of government expenditures and promote Ontario's economic renewal without sacrificing vital social justice initiatives.

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\$ 50 million	This represents a portion of the education transfer payment allocation which is surplus to the amount school boards estimated they would need for this fiscal year. The surplus is money that was made available to school boards for specific purposes -- primarily the implementation of Junior Kindergarten and full-day Senior Kindergarten -- for which school boards have not applied.
\$ 50 million	These savings are the result of a delay in the passage of legislation on proportional value pay equity. Funds to assist the Broader Public Sector will be provided once the legislation has been passed.
\$ 35 million	Public Debt Interest (PDI) savings will result due to more effective borrowing strategies.
\$ 23 million	The planning process related to the Ontario Government Relocation Program is taking longer than expected, delaying land acquisition and projects proceeding to the design stage.
\$ 13 million	The 1991-92 base grant payment for all colleges and universities is being reduced. In order to moderate the impact of the reduction, it will not be made until the final payment for 1991-92, to give the institutions the maximum time to plan for the reduction.
\$ 9 million	Postponing interim payments-in-lieu of taxation to municipalities to April from March, will result in savings this fiscal year. However, municipal payments for the calendar year are maintained.
\$ 4 million	By delaying this year's legal aid tariff increase, savings will result in this fiscal year.
\$116 million	Includes \$60 million due to natural delays in various capital projects; \$25 million from the delayed implementation of new program initiatives; and \$31 million in program underspending and delays in program enhancements.



GOVERNMENT OF ONTARIO - OUTLINE OF MID-YEAR SPENDING ADJUSTMENT PLAN

\$600 million in funds are being redirected to meet obligations, including:

- \$240 million -increase in social assistance caseloads at full cost to the province.
- \$215 million -increase in the province's costs for the teachers' pension plan.
- \$ 53 million -additional fire fighting in Northern Ontario.
- \$ 35 million -assistance to farmers.
- \$ 57 million -for other issues such as Human Rights Commission backlog, losses on loans and loan guarantees, and the Program for Older Worker Adjustment.

Vehicles for redirecting funds include:

Ministry Operating Budget Adjustments

- \$100 million** Ministries are reducing non-salary costs such as supplies and equipment, consulting services, travel, advertising and communications by 5 per cent on average in fiscal 1991-92. This will be increased to 10 per cent next year as Ministries review their base budgets for 1992-93.
- \$40 million** Individual Ministries are managing the difference between the average Ontario public service sector salary award of 5.8 per cent for 1991 and the 5 per cent increase which has been allocated for salaries. Ministries are managing through attrition and delayed hiring.

One-Time Savings

- \$460 million** One-time savings for 1991-92, including extending the implementation of specific new program initiatives into fiscal 1992-93, will be redirected. Funding for new initiatives will be honoured after the passage of related legislation or the completion of consultation. One-time savings in 1991-92 include:
- \$ 85 million** These savings are the result of the delay in the passage of legislation for the Wage Protection Fund. Upon passage, all eligible claims will be paid.
- \$ 75 million** A number of major capital projects for health care facilities encountered unforeseen delays. The funds earmarked for them will not be spent in the current fiscal year. The capital commitments to the hospitals affected will be honoured and funds provided as the projects proceed.